

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeenn G. Kelly.

Southern California Edison Company

Docket No. ER04-890-000

ORDER ACCEPTING FOR FILING AND SUSPENDING
PROPOSED TARIFF REVISIONS

(Issued July 20, 2004)

1. In this order, we accept for filing and suspend for a nominal period, Southern California Edison Company's (SoCal Edison) revisions to its Transmission Owner's Tariff (TO Tariff). SoCal Edison states that it seeks in this filing to create a tariff mechanism to recover from TO Tariff customers the minimum load costs billed to SoCal Edison by the California Independent System Operator Corporation (CAISO). This order benefits customers because it allows SoCal Edison to operate its system while effectively managing costs.

Background

2. On May 11, 2004, the CAISO filed, in Docket No. ER04-835-000, Amendment 60 to its open access transmission tariff (OATT) to modify provisions related to implementation of the temporary must-offer obligation. The CAISO's filing included, *inter alia*, a proposal to change the allocation of minimum load costs by segmenting them into three categories based on system, zonal, or local reliability needs. Minimum load costs used to meet local reliability needs, referred to as "reliability service costs," would be billed to the participating transmission owner (Participating TO) in whose service territory the generator is located.

3. On July 8, 2004, the Commission accepted for filing, subject to modification, CAISO's OATT provisions relating to the must-offer obligation.¹ The order accepted for filing the CAISO's proposed tariff provisions relating to the allocation of minimum load costs, suspended them for a nominal period, made them effective ten days after CAISO's notice to the market and the Commission that Phase 1B MD02 software is ready to be

¹ California Independent System Operator Corporation, 108 FERC ¶ 61,022 (2004).

deployed, subject to refund, and established hearing procedures. Further, with regard to the CAISO's proposed definition of "reliability service costs," the Commission found "it reasonable for the CAISO to define costs incurred in order to maintain the reliability of the grid as reliability costs" but noted that "because we have set for hearing the reasonableness of the CAISO's proposed cost allocation methodology, this definition will be subject to the outcome of that hearing."²

SoCal Edison's Filing, Docket No. ER04-890-000

4. In its May 28, 2004 filing, SoCal Edison seeks to revise the definition of "reliability services" in its TO Tariff to include minimum load costs incurred for local reliability requirements billed to SoCal Edison as a Participating TO. Currently, SoCal Edison's definition includes services obtained from reliability must-run (RMR) units and local out-of-market (OOM) dispatch calls. SoCal Edison states that the proposed revision will enable it to recover minimum load costs through its Reliability Services Rate Schedule in the same manner that it currently recovers similar RMR and local OOM costs.

5. SoCal Edison seeks an effective date concurrent with the effective date of the CAISO's Amendment 60 filing in Docket No. ER04-835-000.

Notice and Interventions

6. Notice of SoCal Edison's filing was published in the *Federal Register*, 69 Fed. Reg. 34,344 (2004), with motions to intervene and protests due on or before June 18, 2004. The following parties filed timely motions to intervene: Modesto Irrigation District, the CAISO, M-S-R Public Power Agency, Pacific Gas and Electric Company and the City of Colton. The City of Los Angeles Department of Water and Power (LADWP) filed a motion to intervene with comments.

7. The California Department of Water Resources State Water Project (SWP) and the Metropolitan Water District of Southern California (Metropolitan) filed timely interventions and protests.

8. On June 14, 2004, SWP filed a motion to consolidate this docket and three other dockets: Docket Nos. ER04-835-000 (CAISO Amendment 60), EL04-103-000 (PG&E's section 206 complaint against the CAISO relating to the current allocation of must-offer obligation costs), and ER04-869-000 (Pacific Gas and Electric Company's similar filing to recover reliability service costs associated with Amendment 60).

² *Id.*, at P 69.

Discussion

A. Procedural Matters

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the timely, unopposed motions to intervene referenced above serve to make those submitting them parties to this proceeding.

10. In an order issued on July 8, 2004, the Commission denied SWP's motion to consolidate Docket No. ER04-890-000 (the docket at issue here) with the other dockets, identified above, as requested.³ Since the Commission has already ruled on the request for consolidation, the issue is now moot.

B. Protests

11. Metropolitan and SWP (jointly, "Protestors") filed a joint protest in this docket and in Docket Nos. ER04-835-000, EL04-103-000, and ER04-869-000. They request that the Commission either reject SoCal Edison's filing altogether or suspend it for the maximum period and set it for hearing.

12. Protestors argue that SoCal Edison's proposal would allocate minimum load costs to SoCal Edison's retail and wholesale customers without regard to cost causation. They contend that minimum load costs should not be automatically allocated to wholesale customers that do not contribute to the need to incur such costs. Rather, such costs should be allocated to on-peak users because the CAISO's determination of the need for resources is driven by its estimate of peak demand. Protestors add that, to comport with cost causation principles, reliability service costs incurred to meet peak needs should be allocated to peak users and reliability costs incurred to meet localized need should be allocated to customers in those locations.

13. LADWP comments that it should not be subjected to SoCal Edison's pass through of minimum load costs but, rather, these costs should be borne by the customers on whose behalf such costs are incurred.

³ Pacific Gas and Electric Co. v. California Independent System Operator Corp., 108 FERC ¶ 61,017 at 16 (2004). The Commission granted the request to consolidate, in part, as to Docket Nos. EL04-103-000 (the PG&E complaint) and ER04-835-000 (Amendment 60). *Id.*

C. Commission Determination

14. As discussed above, in its order on Amendment 60, the Commission accepted for filing CAISO's proposed OATT provisions relating to the allocation of minimum load costs, suspended them for a nominal period, made them effective ten days after CAISO's notice to the market and the Commission that Phase 1B MD02 software is ready to be deployed, subject to refund, and established hearing procedures.

15. Until the Commission makes its final determination on the CAISO's proposal relating to the allocation of minimum load costs, it is premature for the Commission to render a decision on SoCal Edison's associated pass through of its minimum load costs. Therefore, we will accept SoCal Edison's proposed tariff revisions relating to the pass through of minimum load costs in the RSBA account, suspend them for a nominal period, make them effective ten days after the CAISO's notice to the market and the Commission that Phase IB MD02 software is ready to be deployed, subject to refund and subject to the outcome of the hearing established in Docket No. ER04-835-000.

The Commission orders:

(A) SoCal Edison's proposed tariff revisions are hereby accepted for filing, suspended for a nominal period, made effective ten days after the CAISO's notice to the market and the Commission that Phase IB MD02 software is ready to be deployed, subject to refund and subject to the outcome of the hearing established in Docket No. ER04-835-000.

(B) SoCal Edison's tariff designations are hereby accepted as filed.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.